

Our Reference: TRY-08019

- 3 OCT 2014

Mr S Davies MP
Chair
Finance and Administration Committee
Parliament House
George Street
BRISBANE QLD 4000

Dear Mr Davies

Thank you for your letter dated 30 September 2014 outlining the Questions on Notice from the public departmental briefing, as well as additional information sought.

Queensland Treasury and Trade's (Treasury) responses are attached.

At the hearing, Treasury officers advised that, should the Committee seek information about specific matters of concern, then the department would endeavour to provide the information. However, the additional questions 1 to 16 provided to the department remain very general in nature and are little different to the initial request for a table showing "all significant lapses in departmental services, lapses in equity adjustments and lapses in administered items split separately by dollar amount and an explanation for the 2013-14 year".

As advised during the departmental briefing, each department may have hundreds of adjustments to their appropriations each year, including increases and offsetting decreases. Appropriation amounts for each department, as provided in the Statement of Appropriations in the Consolidated Fund Financial Report, are calculated on a net basis.

It is also unclear what information the Committee is seeking in additional question 16(b). However, it appears to be out of scope for the consideration of the Appropriation Bill (No. 2) 2014.

As you are aware, there are many opportunities for Members to ask Ministers questions in relation to the Budget and departmental expenditure, outside the context of consideration of this Bill most particularly during the recently completed Estimates Committee hearings.

I trust that the Committee finds the responses attached useful in relation to its consideration of supplementary Appropriation Bills and understands Treasury's position in relation to the additional questions.

If you require any further information, please do not hesitate to contact Mr Dennis Molloy, Assistant Under Treasurer, Fiscal Strategy Division on ([REDACTED])
[REDACTED]

Yours sincerely

A handwritten signature in black ink that reads "Mark Gray". The signature is fluid and cursive, with a long horizontal stroke extending to the right from the end of the name.

Mark Gray
Under Treasurer

Encl.

Responses to questions raised by the Finance and Administration Committee Inquiry into the Appropriation Bill (No. 2) 2014 and Appropriation (Parliament) Bill (No. 2) 2014 at the hearing held on 30 September 2014.

Queensland Treasury and Trade (Treasury)

Issues

- The Finance and Administration Committee (Committee) conducted a public hearing of the Appropriation Bill (No. 2) 2014 and Appropriation (Parliament) Bill (No. 2) 2014 on 30 September 2014.
- During the hearing it was agreed that Treasury officers would provide further information to the Committee in relation to a number of matters. Those matters and Treasury's response to those matters are set out below.

Query 1 – There are two departments that have significant unforeseen expenditure— the Public Safety Business Agency (PSBA) of \$61 million and the Department of Science, Information Technology, Innovation and the Arts (DSITIA) of \$84.4 million. Can you clarify in more detail the need for that request for unforeseen expenditure please? In responding to the question, the department agreed to provide the cost of the Government Wireless Network and the expenditure for the G20. [Refer pages 2-3 of transcript]

Response –

Given that Treasury has already responded to the first part of the question, this response relates to the further information requested relating to the Government Wireless Network and the G20 Event (refer page 3 of the transcript).

Page 18 of the Consolidated Fund Financial Report (CFFR) provides an explanation for appropriation adjustments for the Department of Science, Information Technology, Innovation and the Arts. The explanation notes, for departmental services, additional expenses related in part to the Government Wireless Network (GWN). The 2014-15 Budget Paper No. 4 identified that in 2013-14 additional funding of \$15.68 million was provided to the department for the GWN.

Page 17 of the CFFR provides an explanation for appropriation adjustments for the Queensland Police Service. The explanation notes, for departmental services, additional expenses related in part to Commonwealth funding relating to the G20 Event. The 2014-15 Budget Paper No. 4 identified that in 2013-14, additional departmental services funding of \$23.213 million was to be provided to the department for the G20 Event.

Query 2 – The Consolidated Fund Financial Report (page 14) states that lapses in administered items of \$142.5 million for the Department of Energy and Water Supply primarily reflect a reduction in the funding required to maintain the government’s uniform electricity tariff policy and a return of unutilised funding for the Seqwater rebate program. Can the department advise what the lapse was for the uniform tariff policy and the return of this unutilised funding for the Seqwater rebate listed separately? [Refer page 5 of transcript]

Response –

For the Department of Energy and Water Supply, under the administered items heading there was a reduction in the cash requirements for electricity community service obligation (CSO) payments of \$136 million and a return of surplus funding for the SEQ water rebate program of \$4.7 million.

At the public hearing, Treasury officials also undertook to provide further information in relation to the uniform electricity tariff (UTP) and the CSO (refer page 5 of the transcript).

The actual CSO paid to Ergon Retail in 2013-14 was significantly lower than forecast. This reflects the difference in the data available when CSO forecasts are made versus the actual costs and revenue when the CSO is paid.

The CSO is the payment that delivers the Government’s UTP. In simple terms, the UTP means that customers in the Ergon region pay the same for electricity as customers in the Energex region (SEQ).

A CSO exists because the costs of delivering electricity are higher in the Ergon region than they are in the Energex region. A subsidy is paid to make up the difference.

Ergon Retail advises that the budgeted CSO was significantly lower than the actual CSO paid for 2013-14 due to:

- a) actual network costs being lower than forecast
- b) sales revenue being higher than expected. The energy consumed by Ergon Retail’s customers (or load) was higher than expected, which meant sales revenue was higher than forecast. This was largely because customer ‘churn’ was lower than forecast (that is, customers moving to other retailers, which reduces Ergon’s load).

Note that these factors contributed particularly to the first six months of 2013-14. In simple terms, the CSO for the period equates to actual costs minus sales revenue.

In 2013-14, lower costs combined with higher revenue both worked to ensure that the cost to deliver on the UTP commitment was lower than forecast.

Query 3 – When was the last time prior to 2012-13 that the lapsed appropriation was at or above the 2013-14 amount of \$2.35 billion? [Refer page 5 of transcript]

Response –

Lapsed appropriation is appropriation that has lapsed under section 29 of the *Financial Accountability Act 2009*. Where the total amount appropriated by annual appropriation at Budget time is not paid to a department within the financial year, the unpaid amount is lapsed. The Consolidated Fund Financial Report (CFFR) is prepared on a cash basis of accounting, for transactions made in a single financial year. As such, funding deferred into a future year (to align funding to the delivery of a project or program, for example) is included as part of lapsed appropriation.

The last time, prior to 2012-13, that lapsed appropriation was above \$2.35 billion was in 2004-05 when it reached almost \$3 billion. As a percentage of appropriation this represented 14.1%, compared to 5% in 2013-14.

Query 4 – At page 17 of the Consolidated Fund Financial Report it states that lower departmental services were occasionally ‘offset by additional funding for the Strong Choices and Best Place to do Business advertising campaigns’. Can the department advise how much additional funding was provided for these campaigns? [Refer page 8 of transcript]

Response –

For Queensland Treasury and Trade, lower departmental services were partly offset by additional funding for the Strong Choices and the Best Place to do Business advertising campaigns. Additional funding of \$10.4 million was provided for these campaigns, as outlined in 2014-15 Budget Paper No. 4 and summarised in the table below.

Expense measure	2013-14 \$ million
Strong Choices Advertising Phase 1	6.0
Strong Choices Draft and Final Plan Advertising	1.4
The Best Place to do Business campaign	3.0
Total	10.4

Query 5 – Can Treasury provide what the lower equity adjustments are by value for the Moreton Bay Rail Link, the Centenary Motorway and the Gold Coast Rapid Transit, listed separately as referred to on page 19 of the report including overspends and underspends? [Refer page 8 of transcript]

Response –

Page 19 of the Consolidated Fund Financial Report provides an explanation for appropriation adjustments for the Department of Transport and Main Roads. The explanation notes that lower equity adjustments were partly related to timing changes of State funding for projects including Moreton Bay Rail, Centenary Motorway and Gold Coast Rapid Transit. The funding amounts deferred to future years for these projects is provided in the table below.

Project	2013-14 \$ million
Moreton Bay Rail	30.0
Centenary Motorway	21.0
Gold Coast Rapid Transit	14.8